

NEW HAMPSHIRE STATE LIQUOR COMMISSION

MINUTES OF MEETING – MAY 9, 2002

PRESENT: Chairman John Byrne and Commissioners Anthony Maiola and Patricia Russell; John Bunnell, Administrator of Marketing & Sales; Craig Bulkley, Bureau Chief of Administrative Services; Howard Roundy, Director of Information Technology; Peter Engel, Director of Store Operations; Richard Gerrish, Spirits Marketing Specialist; Nicole Horton, Wine Marketing Specialist; George Tsiopras, Chief Accountant; Al Picconi, United Beverages, Inc.; Michael Goclowski, Law Warehouse.

I. FINANCIAL & ADMINISTRATIVE REPORTS

1. Financial Reports

A. Weekly, Y-T-D Sales Reports:

The SA1000 report for the week ending May 5, 2002 shows retail sales were up around 7.8%, on-premise sales were up almost 8.65%, off-premise sales were up about 15.98%, and total aggregate sales were up approximately 9.68%. The traffic count increased by 7,992, as did the average sale by \$.51.

The W-1 Total Weekly Sales report for this past week confirms total sales were up 9.68% or \$502,456 over the same week last year, and were also up year-to-date by 7% or \$18,192,562. Wine sales for the week were up 20.2% or \$457,906, as they were on a yearly basis by almost 9.8% or \$11,377,829. Sales of spirit increased almost 1.4% or \$40,975 for the week, as they did for the year by about 5.5% or \$7,916,268.

B. Budget Reports:

A review of Outstanding Depletions and Post-Offs as of May 7, 2002 indicates there are a number of items in the March category because of the timing of the invoices which were sent out. Craig expects these accounts will be paid up within the next few days.

A directive has been received from the Governor regarding the 3% budget reduction. Numbers are being worked on with the bureau chiefs. Craig has not yet received an answer from the Governor's Office regarding the personnel situation, but hopes to have information before the end of the day tomorrow. The report to the Governor is due on May 20th.

Craig reported success in meeting with brokers last week regarding reports, with some good discussion and comments. Already some changes have been made to in-house reports to make them easier to read. He said he and Mike both agreed that meetings should be held once or twice yearly to keep lines of communication open. Chairman Byrne said he had spoken with Jim Squeo at the NABCA, and that more conversation needs to be done between that

agency and the Commission relative to making certain sales information available to brokers. Howard said he had spoken with Jerry Janicki regarding this specific project. Chairman Byrne commented that all information should go through the NABCA. He also said a confidentiality agreement is necessary to ensure that brokers don't share information with suppliers, both at the Commission and at Law Warehouse. Mike Goclowski said there are presently no such agreements at Law, but the brokers and vendors can only access information pertaining to their accounts, not competitive information. The Chairman reiterated that a confidentiality agreement should be drafted which includes a penalty clause.

Novis Engineering has received the go ahead to start the analyzing and sampling phase of the asbestos removal project, which they have begun to do.

The transfer of \$18,000 was on the consent agenda before Fiscal Committee, and was approved with no questions.

The current Expense Budget Activity Variance Report shows the targeted percentage of expenditures to be at 85.2%, with actual agency expenditures at about 82%.

Store transfers were approved by Fiscal Committee and will be on the agenda for next week's Governor and Council meeting.

The auditing process is going along fine, with the auditors being able to access all the information they need. They should be leaving headquarters by next week.

2. IT Reports

Howard reported that the store hardware services contract was awarded to Connecticut Valley, which had a more comprehensive plan than the other bidder. The contract is being finalized now and should be sent over to DITM within a few days. The final contract should be ready around the end of June.

Howard spoke with ACR about what will happen after the Commission's present contract with them expires on June 30. ACR said they would get back to him.

Some patches have been put out to stores recently. One was to correct a credit card buffer problem, and the other to correct loss of information on the second page of invoices.

John Byrne asked how user friendly the licensing program was and if purchase of a "canned" program would be possible. Howard said the

problem would be finding the right program to fit licensing rules. The present system is a complicated one to teach. Craig suggested having a trainer do the teaching, and will see if this or anything else can be done which will make the process easier. He will speak with Aidan to see what might be of help to his department. Chairman Byrne asked that someone check to see if there is a new package which could be used.

II. MARKETING & SALES REPORTS

1. Store Operations

Peter reported that total store sales for the week ending 5/5/02 were up 9.4% or \$357,163.43, with increases spread fairly evenly. Store #11 and #60 Lebanon both showed significant increases.

The move to the new location of Store #27 Nashua is progressing quickly, with product due to arrive next Monday. It may be possible to move up the opening date from Wednesday to Tuesday of next week. Also, work should begin over at Store #67 Hooksett next Tuesday or Wednesday.

Store dress code was discussed with the SEA as part of the recent Safety Committee meeting. Union representatives were hesitant to change the current code.

A. Recommendation Sunday Store Hours – Summer Season:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve the following five(5) additional stores to be open for Sunday business, commencing Sunday, May 26, 2002 through the fall season (dates to be determined based on sales performance), as recommended by Peter Engel, Director of Store Operations and concurred by John Bunnell, Administrator of Marketing & Sales: #7 Littleton (10:00 a.m. – 5:00 p.m.); #11 Lebanon (10:00 a.m. – 5:00 p.m.); #21 Peterborough (12:00 noon – 5:00 p.m.); #39 Wolfeboro (10:00 a.m. – 5:00 p.m.); and #75 Belmont (10:00 a.m. – 5:00 p.m.). The motion was unanimously adopted.

2. Warehouse Report

The current warehouse report was not available at the time of the meeting, but was received later in the day.

3. Purchasing Report

There were no significant out-of-stock items to report.

4. Merchandising Report

A. SPIRITS:

1) Father's Day Sale:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve forty-six (46) spirit products to be featured on sale during the upcoming Father's Day Sale, scheduled for the period Thursday, June 6 through Sunday, June 16, 2002, as recommended by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

2) Fourth of July Sale:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve thirty-two (32) spirit and three (3) wine products to be featured on sale during the upcoming Fourth of July Sale, scheduled for the period Thursday, June 27 through Sunday, July 7, 2002, as recommended by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

3) Appeal UV Blue Raspberry:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission rescind their decision of April 25, 2002 to delist Code #3557, UV Blue Raspberry Vodka, 750ML size, and grant this product specialty item status. The motion was unanimously adopted.

4) Line Extensions:

a. Line Extension (Midori Melon Liquor):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a request from Horizon Beverage Company/Allied Domecq Spirits USA for an additional size listing of Midori Melon Liquor in the 375ML size, as this brand in the 750ML size has exceeded the gross profit required for a line extension, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. Line Extension (E & J Brandy VS – PET):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a request from E & J Gallo/Pine

State Trading Co. for an additional size listing of E & J Gallo Brandy VS Traveler (PET) in the 750ML size, as this brand in all other listed sizes have exceeded the gross profits required for a line extension, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. Line Extension (Maker's Mark Bourbon):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a request from Horizon Beverage Company/Allied Domecq Spirits USA for an additional size listing of Maker's Mark Bourbon in the 375ML size, as this brand in both the 1.75L and 750ML sizes have exceeded the gross profits required for a line extension, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

d. Appeal Line Extension 1.75L Emmets:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission grant an appeal from United Beverages, Inc./Diageo North America to rescind the decision of April 25, 2002 and approve a line extension for Emmets Irish Cream in the 1.75L size, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

5) One Time Buy (Skyy Citrus):

After discussion regarding levels of product inventory, it was moved by Commissioner Byrne, seconded by Commissioner Maiola, that an offer of a special one-time buy of Skyy Citrus, 1.75L size, from Horizon Beverage Company/Skyy Spirits be referred back to the Marketing Department to be reconsidered in July 2002. The motion was unanimously adopted.

6) Shelf Change (Zhenka Vodka):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a request from Horizon Beverage Company for a shelf change for Zhenka Vodka, 1.75L, 750ML and 375ML sizes, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

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7) July Offers (4 items – Perfecta Wine Company):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from Perfecta Wine Company, based upon depletions of four (4) spirit items, to be featured on sale during July 2002, as recommended by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

B. WINES:

1) August Wine Sale:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve the placement of all 750ML size wines on sale at 10% off, when purchased in a mixed or matched case for the upcoming August Wine Sale, scheduled for the period Monday, July 29 through Sunday, August 25, 2002, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

2) Special Offers for July 2002 (1 item – Perfecta Wine Company):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a special offer from Perfecta Wine Company, based upon depletions of one (1) wine item, to be featured on sale during July 2002, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

3) Recommended Wine Specialty Products (6 items):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve six (6) wine codes to be listed as wine specialty products, to be carried in the wine specialty stores only, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

4) Primary Source Submissions (4 items – exclusive agent; 59 items – imported):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve the listing of four (4) wine codes which are not from primary sources, but are offered by the exclusive marketing agent, and fifty-nine (59) wine codes which are not from primary source, but are imported, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

III. ENFORCEMENT & LICENSING REPORTS

None.

IV. CHAIRMAN'S REPORT & LATE ITEMS

1. Bailment Requests:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve all reviewed requests for bailment releases/transfers dated May 3 through May 9, 2002. The motion was unanimously adopted.

2. Coupon Approvals: None.

3. Late Items: None.

John W. Byrne, Chairman

Anthony C. Maiola, Commissioner

Patricia T. Russell, Commissioner

/D. Hartford

